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STATE FOR NEA/ELA AND EEB/IFD/ODF
STATE PASS USTR FRANCESCKI
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USDOC FOR 4520/ITA/MAC/ONE
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SUBJECT: LEBANON: FINANCIAL SECTOR JOINS TOGETHER TO PROMOTE
CORPORATE GOVERNANCE (ECONOMIC WEEK IN REVIEW, JULY 13 - 19, 2009)

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BANKING SECTOR SETS UP COMMITTEE
TO PROMOTE CORPORATE GOVERNANCE

11. (SBU) The Central Bank of Lebanon (CBL) and the Association of Banks in Lebanon (ABL) jointly established a new committee to enhance corporate governance in the Lebanese banking sector. Amin Awad, a member of the Banking Control Commission (BCC), told us this committee was created in response to a CBL Circular on basic principles of corporate governance. The committee will issue implementation procedures, as well as a checklist that will help BCC examiners determine bank compliance with best practices dealing with governance, based on Basel II requirements. Awad expects the committee to start publishing compliance procedures in fall 2009.

GOL AIMS TO LENGTHEN
DOMESTIC DEBT MATURITY

12. (SBU) In his first meeting with the newly elected board of the Association of Banks in Lebanon (ABL) on July 9, Central Bank of Lebanon (CBL) Governor Riad Salameh announced that the CBL will stop issuing five-year Certificates of Deposit (CDs) in Lebanese Lira (LL). In addition, on July 14, Dr. Youssef el-Khalil, CBL Director of Financial Operations, told us the GOL intends to start issuing 5-year Treasury Bills (TBs) on a bi-monthly basis, since the market for Lebanese paper is bullish as yields are decreasing. These two actions will shift the liability for banks' excess LL liquidity from the CBL to the Lebanese government, while extending the GOL's public debt maturity. In the past, the GOL had issued 5-year TBs only once, in the spring of 2005 after the assassination of Prime Minister Rafic Hariri, to maintain currency stability. Currently, the GOL issues TBs of up to three-year maturity on a weekly basis.

TOURISM MINISTRY EXPECTS TWO MILLION VISITORS IN 2009;
PRIVATE SECTOR SAYS MINISTRY HAS NO STRATEGY

13. (SBU) On July 14, Director General of the Ministry of Tourism (MOT) Nada Sardouk told us that given the large number of visitors to Lebanon -- over 760,000 from January to June 2009 -- the MOT forecast of two million tourists in 2009 appears realistic. Sardouk said that the current tourism boom began in May 2008 with the Doha Conference and flourished due to the political stability and, most importantly, security that ensued. Lebanon's reputation as a tourist destination has also been enhanced through invaluable coverage in the international press, particularly in Europe and the United States. She highlighted in particular the New York Times' ranking of Beirut as its top destination for 2009.

14. (SBU) Meanwhile, head of the syndicate of hotel owners, Pierre Achkar, and head of the syndicate of restaurant owners, Paul Ariss, respectively, told us separately that although the summer season is promising, the MOT does not have a vision or strategy for the tourism sector in Lebanon. Achkar assessed that for tourism to prosper, security was much more important than political concerns, while Ariss said he does not believe Lebanon has the infrastructure to accommodate the projected two million visitors.

BEIRUT RANKS SIX OUT OF 14 MOST
EXPENSIVE MENA CITIES

15. (U) According to Mercer Human Resource Consulting, Beirut ranked 41 out of 143 cities worldwide in terms of cost of living in 2009, up from 80 in 2008; and six out of 14 MENA cities, unchanged compared to 2008. The survey noted that Beirut's surge in the ranking was more a reflection of changes in foreign exchange rates and the value of the dollar, rather than a rise in prices. The

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study measures the comparative cost of over 200 items, including housing, food, clothing and household goods, as well as transportation and entertainment.

SWINE FLU CASES
REACH 70

16. (U) According to the Ministry of Public Health (MOPH), the number of swine flu cases reached 70, up from 47 during the first week of July. No deaths have been attributed to the flu in Lebanon. The MOPH said it will begin issuing weekly bulletins to keep the public updated on the virus's spread. It noted that it expects the number of swine flu cases to rise as more tourists and expatriates enter the country for the summer holidays. Meanwhile, Minister of Public Health Khalifeh announced that he will be attending the Arab Health Ministers' emergency conference in Cairo July 22 to discuss contingency plans ahead of the Muslim pilgrimage season.

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